

1 BEFORE THE
2 FEDERAL ENERGY REGULATORY COMMISSION
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6 IN THE MATTER OF: :

7 TELECONFERENCE :

8 EXTERNAL AFFAIRS :

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12 Room 11-H-7
13 Federal Energy Regulatory
14 Commission
15 888 First Street, NE
16 Washington, DC
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18 Monday, March 18, 2002
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21 The above-entitled matter came on for teleconference,
22 pursuant to notice, at 10:00 a.m.
23
24

1 APPEARANCES:

2

3 Ed Meyers

4 Tom Russo

5 Charles Whitmore

6 Bill Meroney

7 Jim Pederson

8 John Blaney

9 Chris MacCracken

10 Michael Goldenberg, Esq.

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1 P R O C E E D I N G S

2 MR. WHITMORE: Hello everybody. It is about one
3 minute to 10:00 by our clock, which works occasionally, so
4 I think we might -- I am not quite sure what was going on
5 there but I think we will wait another 30 seconds so that
6 everybody can hear the beginning and then we will go
7 forward from there.

8 (Pause.)

9 My name is Charlie Whitmore at the Federal Energy
10 Regulatory Commission. I want to welcome all of you to our
11 teleconference today on the FERC's Cost Benefit Analysis
12 for RTOs.

13 Thank you all for calling in and I expect we will
14 have some more coming in as we go on.

15 The purpose of today's meeting is to answer your
16 questions about the report, clarify things that aren't
17 clear to you. We are not going to be making a separate
18 presentation because the report is already out there and we
19 would like to use as much of the time as possible to get
20 your questions on it.

21 This call, like all the calls, this is one of a
22 series that we are doing with State Regulators and with the
23 public and industry. All of the calls will be
24 transcribed. Transcripts will be available for free I

1 believe in 10 days or alternatively if you want them

1 sooner, you can pay for them.

2 And the idea is to help you prepare responses to
3 the Commission's study and those responses will be due
4 April 9 and then reply responses to everybody else is on
5 April 23.

6 I am going to start off today with
7 introductions. We need to have introductions for everybody
8 and a comment that I will be making periodically through
9 the conversation is whenever you start talking, please
10 identify yourself and who you are with so that we can get
11 the transcripts right.

12 Here at FERC my name Charlie Whitmore. I do
13 strategic planning.

14 MR. RUSSO: My name is Tom Russo. I am helping
15 with the State/Federal Relations Program here and also
16 coordinating the RTO Cost Benefit Report.

17 MR. MERONEY: My name is Bill Meroney. I manage
18 the Market Development Group in the office of Markets,
19 Tariffs and Rates and I was the technical Project Manager
20 on the study for the FERC.

21 MR. BLANEY: This is John Blaney from ICF. I am
22 Managing Director at ICF and I was the person managing the
23 overall Cost Benefit Study for ICF.

24 MR. MAC CRACKEN: This is Chris MacCracken at

1 ICF.

1 MR. WHITMORE: Thank you very much. We don't
2 know who is on the call today so we thought that what we
3 would do is go alphabetically through and if you can
4 identify yourself when we get to your letter of the
5 alphabet, please do so.

6 I would suggest doing it by the company or law
7 firm or whatever concern you are associated with unless you
8 are an individual, in which case do it by your name.

9 Anybody from the A's?

10 MR. ROWE: Jeff Rowe with the American
11 Transmission Company. I am the Director of Regulatory
12 Affairs.

13 MR. WHITMORE: Thank you. Anyone else from A's?

14 MR. HOWELL: Paul Howell, Alliance Electric
15 Company. I guess that counts.

16 MR. WHITMORE: Good enough. Anybody else?

17 MR. THORTON: Chris Thorton with American
18 Municipal Power, Ohio.

19 MR. WHITMORE: Thank you. Anyone else? On to
20 the B's.

21 MR. GUY: Baltimore Gas & Electric, Gary Guy.

22 MR. WHITMORE: Your name again?

23 MR. GUY: Gary Guy.

24 MR. WHITMORE: Thank you. Any other B's? C?

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MR. AVERBECK: This is Steve Averbeck from

1 Cinergy.

2 MR. WHITMORE: Thank you. Any other C's?

3 MR. WASSER: Yes, Alex Wasser from Cinergy also.

4 MR. WHITMORE: Anyone else?

5 MR. MURRAY: This is Kevin Murray on the staff of

6 McDonald, Neese, Wald & Nerk. I am from Midwest

7 Transmission Company.

8 MR. WHITMORE: D?

9 MR. STAPLES: Yes, Bruce Staples and Bob Roddie.

10 MR. WHITMORE: What company are you with,
11 please?

12 MR. STAPLES: Dairyland Power Cooperative.

13 MR. WHITMORE: I heard another D starting also.

14 MR. ADAMS: Yes, Dominion Energy. This is Harold
15 Adams.

16 MR. WHITMORE: Thank you. Any other D's? E?

17 MR. FOLEY: This is Chris Foley with Edison
18 Michigan Energy.

19 MR. TARCO: Eric Tarco with the Electric Power
20 Association.

21 MS. WICKS: This is Tonya Wicks with EEI.

22 MS. LEE: Lisa Lee, Edison Michigan Energy.

23 MR. WHITMORE: Other E's? Okay. F?

24 MR. BURKE: Tim Burke with First Energy.

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MR. LARCH: Al Larch also with First Energy

1 Corporation.

2 MR. WHITMORE: Other F's? G? H?

3 MS. GOULET: I am sorry. Denise Goulet,

4 Pennsylvania Consumer Advocate.

5 MR. WHITMORE: H? I? J? K? No K's? L? M?

6 N?

7 MR. BLACK: Yes, Jerry Black with Natural

8 Resources Council, the project with FERC Energy Policy.

9 MR. WHITMORE: Great. Thank you. Other N's?

10 MR. LATHROP: Jane Lathrop with the New York

11 ICO.

12 MR. WHITMORE: O? Hello.

13 MR. POOL: This is Bruce Pool from FERC.

14 MR. WHITMORE: Welcome. Other O's? P?

15 MS. JENSON: Public Service Electric & Gas

16 Company, Betty Jenson.

17 MR. WHITMORE: Thank you. Other P's? Q? R?

18 Any R's? S?

19 MR. MARRIS: Marris, Supply Energy Consultants.

20 MR. MONROE: Carl Monroe, Southwest Power Pool.

21 MR. WHITMORE: T's?

22 MR. MITCHELL: This is Jim Mitchell with the law

23 firm of Theiman, Reid and Priest.

24 MR. WHITMORE: Thank you. T's? Okay. We are

1 down to the tag end here. U?

1 MR. FRANK: Bob Frank, UBSAG.

2 MR. WHITMORE: Any other U's? Anybody else?

3 MR. KITTLE: Robin Kittle with Excel Energy.

4 MR. HUDSON: Dave Hudson with Excel Energy.

5 MR. WHITMORE: Great. Anyone else? No Z's?

6 MR. PROCTOR: Reid Proctor with Williams.

7 MR. WHITMORE: We have one more participant from
8 the FERC side.

9 MR. GOLDENBERG: Michael Goldenberg from the
10 General Counsel's Office.

11 MR. WHITMORE: Okay. I think we are ready to get
12 started now so fire away and the folks here will try to
13 answer whatever questions you have.

14 MR. BLACK: Jerry Black. I have one. In regard
15 to the demand response scenario, does the -- do the runs
16 assume other RTO policies are implemented in conjunction
17 with the demand response; or is that response permitted
18 without regard to RTO policy changes?

19 MR. MAC CRACKEN: The demand response is built on
20 the RTO policy scenario so it is in addition to all
21 generation benefits from that scenario.

22 MR. STAPLES: Bruce Staples at Dairyland Power.
23 I had questions about the assumption on expansion of the
24 transmission system.

1 The way I read the proposal is that the

1 transmission system is expanded by a certain percentage
2 under the RTO being functional; but under the base case
3 there is no expansion of the transmission assumed. Is that
4 correct?

5 MR. BLANEY: This is John Blaney. Yes, that's
6 correct.

7 MR. STAPLES: Just following up with that
8 question, wouldn't that tend to give a little bit of a bias
9 to the benefit of RTOs if you assume that transmission is
10 going to be static for the next 10 to 15 years?

11 MR. BLANEY: The intention of the assumption was
12 to reflect the efficiency improvements that could result
13 from the formation of an RTO in terms of establishing the
14 market signals that would be necessary in order for
15 stimulus to be there to achieve transmission efficiency
16 improvements.

17 So it was an attempt to look at the incremental
18 benefits that could result. Now, it could be in the base
19 case that there would be added transmission capacity that
20 may or may not occur.

21 We had no way of projecting that in the base
22 case. What we were trying to do is identify the
23 incremental benefits that could result from the RTO
24 policy. So it is really the delta, the incremental amount,

1 that I think is most relevant for what we are trying to

1 look at.

2 MR. HOUSE: Paul House from National -- does 5
3 percent assume that there is FERC policy favoring a
4 particular type of RTO? For example, a Transco or there is
5 a PBR involved?

6 MR. BLANEY: No, I think that it is neutral on
7 the type of RTOs that's formulated. It is just saying that
8 with an RTO policy in place and the assumed transmission
9 efficiencies that could result from it, it is assumed that
10 there could be a 5 percent increase in transmission
11 efficiency.

12 MR. HOUSE: Also I guess would that not take into
13 account the argument that someone made that RTO
14 contribution, if you will, or turning over control to an
15 RTO might create a different kind of investment?

16 MR. BLANEY: I am sorry. Could you repeat that?

17 MR. HOUSE: The point was that some have made the
18 argument that the requirement of turning control facilities
19 over to RTOs might create a different set of investments in
20 Commission column from control of its assets.

21 I assume the study is neutral to that effect
22 also?

23 MR. BLANEY: I don't think we are neutral. We
24 are saying that the FERC is asserting or assuming that

1 there would be transmission efficiency improvement; and

1 that's what we are trying to model. That is the impact of
2 that assumption.

3 MR. WHITMORE: This is Charlie Whitmore. We have
4 one additional member at the table now.

5 MR. PEDERSON: Jim Pederson from Commissioner
6 Brownell's office.

7 MR. WHITMORE: Thank you. Any further questions?

8 MR. MITCHELL: Jim Mitchell. I am curious as to
9 what the basis is for the assumption that you will have
10 efficiency improvements resulting from RTO participation or
11 RTO formation that would not result from the operation of
12 the marketplace and the competitive conditions that exist
13 today.

14 MR. BLANEY: Are you talking about, this is John
15 Blaney, are you talking about generation and transmission
16 efficiency improvement?

17 MR. MITCHELL: No. The study reflects the
18 assumption that if you have RTO formation, you will have
19 better heat rates and better availability rates with RTOs
20 than you would have in the absence of RTOs and again it
21 assumes that because of these efficiencies that there are
22 benefits to be derived from RTO participation.

23 So my question is: What is the basis for the
24 underlying assumption that generators will operate more

1 efficiently in an RTO than they would under current market

1 conditions?

2 MR. BLANEY: Well, I happen to have some language
3 here that is in our report; but it was originally taken
4 from the Order 2000 notes of proposed rule making and I
5 would like to quote from that if I could.

6 It says: To the extent that RTOs foster fully
7 competitive wholesale markets the incentive to operate
8 generating plants efficiently are bolstered. Suppliers
9 will continuously seek to avoid being made uncompetitive by
10 RTOs incentives for more efficient plant operation can also
11 effect general facilities. All plants are coming under
12 pressure to improve their availabilities and operating
13 efficiencies. Individual firms have made decisions to seek
14 to become more competitive or to prepare themselves for
15 future competition.

16 So that the Commission itself has made the
17 linkage between RTO formation and efficiency improvements
18 that will result in, in our study, we have been working
19 with the prior work that has been done for FERC and
20 others.

21 We have made in collaboration with FERC staff and
22 the PUC panel a set of assumptions to implement the FERC's
23 notion of the efficiencies that will result from the
24 formation of RTOs.

1

And then we had to make specific assumptions to

1 implement that and those are described in our report and
2 those are based on prior work that has been done for FERC
3 in Order 888 as well in Order 2000.

4 MR. MITCHELL: Was anything done to validate the
5 assumption?

6 MR. BLANEY: Only to the extent that I have
7 already described it.

8 MR. RUSSO: This is Tom Russo. What other work
9 was conducted, let's say internationally, which sort of
10 goes to the validation and the linkages there?

11 MR. BLANEY: Well, the prior work that ICF has
12 done for the FERC Commission makes similar assumptions
13 again dating back to Order 888.

14 I think the DOE in their recent study also made
15 similar kinds of efficiency improvements assumptions.

16 ICF itself has done much work for many different
17 parties nationally and internationally and were one of the
18 leading companies doing financial due diligence work on the
19 citing of new generation capacity.

20 We have done extensive work for the Environmental
21 Protection Agency on looking at the cost and benefits of
22 air regulations and the Environmental Protection Agency has
23 made similar kinds of assumptions in their work that we
24 have done for them on efficiency improvements going

1 forward.

1 MR. WHITMORE: This is Charlie Whitmore at FERC
2 and just let me follow up on the one point that I think the
3 questioner was raising.

4 If it is not your point, then tell me; but could
5 you perhaps tell us from ICF what the basis was for making
6 the assumptions about generator efficiency?

7 How did you decide on those numbers as opposed to
8 other numbers?

9 MR. BLANEY: Well, there is obviously a range of
10 assumptions that can be made there. The point is not what
11 the specific numbers are per se, but whether they are
12 reflective of the general notion that FERC is trying to get
13 to.

14 What we tried to use were numbers that were
15 consistent with prior work that was done and also numbers
16 that would be reflective of a broad range of potential
17 benefits that could result.

18 You know, I think that if you were -- although we
19 didn't have time to do the analysis, any empirical
20 analysis -- I know from prior work that I have seen that
21 there has been a continuing trend in terms of generation
22 efficiency improvement over the last several years since
23 Order 888.

24 We are projecting out what I would consider an

1 extension of performance improvements that have occurred

1 recently in terms of heat rate improvements and in terms of
2 availability.

3 MR. MITCHELL: Again, are you assuming that these
4 improvements would not occur unless we had RTOs?

5 MR. BLANEY: That's right. There is an explicit
6 assumption about linking the further improvements over and
7 above what's occurred up until now, in linking that to the
8 formation of RTOs.

9 I think it is the case that the Commission, and I
10 don't want to put words in their mouth, but I believe it is
11 the case that the Commission thinks that there have been
12 generation efficiency improvements and transmission
13 efficiency improvements that have occurred as a result of
14 Order 888; but there are further improvements that can
15 still be made.

16 MR. MERONEY: I think that's basically right,
17 John. This is Bill Meroney. But clarify for me, if you
18 will, whether or not there are any efficiency improvements
19 in the base case?

20 I believe in other analyses what we had done was
21 assume that the effect of RTOs was to have it trend improve
22 so you might have some benefits without RTOs, but RTOs
23 would simply make them appear sooner and more complete in
24 the long run.

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MR. BLANEY: Well, we do have some improvements

1 in the base case. Like we have assumed there would be
2 continued improvements in terms of reductions in reserve
3 margins.

4 We also have assumed that there would be the
5 ability to share capacity going forward amongst regions,
6 and then those assumptions are then further accelerated in
7 the RTO case in terms of reserve margins and the ability to
8 share capacity across regions.

9 MR. STAPLES: But in the area of, say,
10 transmission hurdle rates you assume that any improvements
11 that have been made between the implementation of Order 888
12 and the beginning of RTOs are now constant in the base case
13 and the only improvement in hurdle rate comes with the
14 RTO?

15 MR. BLANEY: No. Is this Jim Mitchell again?

16 MR. STAPLES: No, this is Bruce Staples of
17 Maryland.

18 MR. BLANEY: It is the case that we did assume
19 that there would be further improvements in transmission
20 hurdle rate costs as we styled them in the report in the
21 base case.

22 We assumed that there would be a slight, slow
23 continuing reduction in rates going forward I think of two
24 and a half percent per year going up to 2010 in the base

1 case.

1 MR. WHITMORE: Any other questions?

2 MR. HOUSE: This is Paul House one more time. I
3 notice in the report that the actual costs of RTO formation
4 was not a huge factor when viewed in terms of the market
5 benefit.

6 I also noticed that the costs benefit of a larger
7 RTO was not usually significant versus smaller RTOs. Am I
8 accurate so far?

9 MR. BLANEY: I would like to back up and look at
10 each one of those separately.

11 What was your first point you were talking about,
12 the cost of RTO formation?

13 MR. HOUSE: Yes, compared to the year over year
14 savings that would be occasioned by RTO formation.

15 The actual costs of the formation seem to be a
16 relatively small number, somewhere in the 10 percent
17 range.

18 MR. BLANEY: This is John Blaney. We submitted
19 the cost of RTO formation of 1 to \$.75 billion. That's a
20 one time -- that's only covering the start up costs and in
21 comparing that to the benefits as we estimated them of one
22 to \$10 billion per year.

23 So in that sense, I think the costs are smaller
24 than the benefits that we estimated.

1

MR. HOUSE: Right. By a wide margin I would

1 think. But in the comparison between smaller RTOs and
2 larger RTOs, were the scale economies that seem to be
3 driving the efficiency of larger RTOs, do you assume they
4 are linear or do you assume at some point the RTO gets too
5 big?

6 MR. BLANEY: Well, we certainly didn't make any
7 assumptions about RTOs getting too big.

8 What we did was look at two specific cases of the
9 size of RTOs and estimated the cost reductions of that
10 result.

11 But I think it is important as we said last week
12 that -- I mean in our presentation to the Commission
13 itself, that it is important when looking at smaller and
14 larger RTOs to understand that we assumed the same
15 generation efficiency improvements that would result in
16 both cases; and we didn't like alter the magnitude of
17 efficiency benefits that could result.

18 We didn't link that to the size of the RTO.

19 MR. HOUSE: Under the assumption the size of the
20 market is more important than the RTO?

21 MR. BLANEY: I am not -- we didn't make any --
22 the point is that we are assuming in the study that RTO
23 formation leads to generation efficiency improvements.

24 In the study we didn't say that or assume that

1 smaller RTOs only get you a portion of the generation

1 efficiency improvements and larger ones get you more.

2 So both RTO formations give you the same
3 generation efficiency improvements and that's the key that
4 drives the results.

5 MR. MERONEY: I think the safe thing on that to
6 assume that safely wasn't done in these sensitivity studies
7 and the simple thing to do is recognize what was included
8 in terms of parameters that were changed for the larger or
9 the smaller to put the one to \$300 million number in
10 perspective.

11 It is relatively smaller than other benefits in
12 here, but it might be more appropriate to compare it to the
13 transmission only case.

14 The main thing is simply to recognize that there
15 wasn't a relationship implied in those sensitivity runs
16 between being larger and having generation improvements.
17 Certainly --

18 MR. HOUSE: Thank you for that clarification.

19 MR. WHITMORE: Okay. I think we have 19 or 20
20 people on the line and I am presuming that there are some
21 more questions so please feel free.

22 MR. HUDSON: David Hudson with Excel Energy.
23 Just a general process question. I was wondering how the
24 meetings with the State Commissions went last week, if you

1 can share any information on that?

1 MR. RUSSO: This is Tom Russo. I will handle
2 that. The State Commissioners had many, many questions
3 regarding the assumptions of the study and we have agreed
4 to provide them and we will be providing everybody with an
5 assumptions document which will lay out very clearly what
6 some of the assumptions were.

7 There were also similar questions regarding:
8 Well, do you really need an RTO to realize the benefits?
9 Much the same thing that we have heard this morning.

10 In some teleconferences, some State Commissioners
11 were, I don't want to use the term very unhappy, but I
12 will, unhappy with the results of the report and what its
13 implications are, but more or less we filled up the entire
14 two hours in answering questions.

15 So there was no lack of interest or questions on
16 their part.

17 MR. WHITMORE: This is Charlie Whitmore at FERC.
18 Also those teleconferences have also been transcribed and
19 will be in the dockets for all of the RTOs and available to
20 you when you want them.

21 So you can get a first hand blow by blow
22 account. I thought the sessions went pretty well given
23 that there are differences in view and interest.

24 Other comments, questions, thoughts?

1

MR. HOUSE: Just a question as to the

1 availability.

2 MR. RUSSO: This is Tom Russo again. We expect
3 to be mailing that out possibly tomorrow or the next day.
4 That will be made available on our Web site as well.

5 MR. WHITMORE: This is Charlie Whitmore. Who was
6 it that asked that last question?

7 MR. HOUSE: Paul House from National Electric.

8 MR. WHITMORE: Thank you. Any further questions
9 or follow-ups or shall we all break early for coffee and
10 whatever?

11 Go ahead, please. This is a conference call with
12 the Federal Energy Regulatory Commission on our Cost
13 Benefit Analysis for RTOs. Is this a new caller coming
14 in?

15 UNKNOWN CALLER: Yes, this is Issan Connective
16 who just joined in.

17 MR. WHITMORE: Do you have any questions? We are
18 discussing the report. Questions, comments? The well
19 seems to be running a little dry so if you have a comment
20 or question, please go ahead.

21 MS. JENSON: Betty Jenson from PKC&G. I have a
22 question regarding demand response, how those benefits were
23 derived and what were the assumptions?

24 I know it is going to be in the assumptions

1 document, but could we get some clarification right now?

1 MR. BLANEY: This is John Blaney speaking. Yes,
2 we can try and clarify that for you. We assumed that there
3 would be a 3-1/2 percent reduction in peak demand in 2006
4 and then going forward and we estimated that by assuming
5 that half the customers in each region would respond to the
6 tune of what we call demand elasticity of a minus .1
7 percent.

8 So a 1 percent increase in price would lead to a
9 .1 percent reduction in demand which is a very
10 conservative estimate more appropriate for making short run
11 demand response calculations.

12 But what we are trying to do here is quantify the
13 potential magnitude that could result from demand
14 response. So with that 3-1/2 percent reduction in peak
15 demand, there is, of course, building reduction in the
16 amount of capacity that has to be provided to meet that
17 peak.

18 MR. MURRAY: This is a follow-up question from
19 Kevin Murray. The data function assumes the use of a price
20 cap throughout the region?

21 MR. BLANEY: No. It doesn't make any explicit
22 assumption about price caps at all. It is just a statement
23 to say what kind of potential reduction could result from
24 the demand response program.

1 MS. JENSON: Betty Jenson again. Is the

1 elasticity based on customers being some semblance of the
2 real-time pricing or how would we -- how does the customer
3 receive the price?

4 MR. BLANEY: Well, you know, we are not explicit
5 about what the price regime is. It is just the case that
6 we are assuming that there would be some type of price
7 signal provided to customers, half of the customers, and
8 that they would respond in response to that price
9 increase.

10 Or it could be other types of demand programs
11 where it is not a price increase per se, but it is an
12 incentive base where a customer would potentially be paid
13 for not consuming electricity at certain times rather than
14 a price increase.

15 The study itself is neutral about what type of
16 demand response program is put in place.

17 MR. WHITMORE: This is Charlie Whitmore at FERC.
18 Just to follow up on that a little bit, I will give -- I
19 will ask John Blaney here.

20 My understanding is that the study only assumed
21 that half of all customers had any kind of ability to do
22 demand response and that the elasticity that you chose is
23 essentially a short run elasticity and wouldn't presume any
24 kind of longer term responses from people. Is that a fair

1 understanding?

1 MR. BLANEY: Yes, that's correct.

2 MR. WHITMORE: Okay.

3 MR. MURRAY: Kevin Murray with another follow-up

4 question. I assume that the calculation of the benefit

5 that was done in these scenarios is looking at what a

6 region wide energy cost is with and without a demand

7 response.

8 Will the assumptions detail the maximum level of

9 sustained prices that were calculated in various

10 scenarios?

11 MR. BLANEY: Well, you do see in the report

12 already estimates of prices by region in the model for each

13 case.

14 So you do have that information already provided

15 to you.

16 MR. MERONEY: This is Bill Meroney. I may have

17 misunderstood here, but some of those kinds of details

18 sounded to me a little bit more like the kind of details

19 that would -- if more information were provided in a model

20 outputs.

21 That's actually a point that was brought up in

22 some of our previous State conferences and we are looking

23 at that right now just in terms of the potential

24 availability of more information on the results.

1

MR. WHITMORE: Further questions? Comments?

1 Thoughts?

2 MR. STAPLES: Bruce Staples one more time. I am
3 not in the consumer end of the business being a G and P,
4 but assuming that half the customers have access to demand
5 response programs seems to be extremely generous.

6 Where did the half come up from? Is that based
7 on any kind of study or any pilot programs that have taken
8 place around the country?

9 MR. BLANEY: The half number was an attempt to
10 just bracket the potential response that could result from
11 demand response so, you know, to say that half the
12 customers in the United States beginning in 2006 have some
13 kind of demand response program in place. We are really
14 looking out over the broad term with 2020 and is just an
15 attempt to quantify what the potential benefits could be
16 from a demand response program.

17 MR. MERONEY: This is Bill Meroney. We have had
18 some other discussions about this, but just to sort of
19 clarify a couple of points.

20 You are thinking of it, one, that this just
21 basically means these people are exposed to some kind of
22 demand response program; is that correct?

23 MR. BLANEY: Yes, that's right, Bill.

24 MR. MERONEY: And I guess that's my main point.

1 The other thing is when we say half the customers, what we

1 really mean is half the demand; is that right?

2 MR. BLANEY: Yes. That's right.

3 MR. MERONEY: So it could be made up
4 predominantly of the large customers.

5 MR. STAPLES: I appreciate that clarification.

6 MR. WHITMORE: Go ahead, please. Are there any
7 further questions?

8 MR. RUSSO: This is Tom Russo. Let me just throw
9 something in on process that I think you all should be
10 aware of.

11 The transcripts and the RTO Cost Benefit Report
12 itself are being placed into the appropriate RTO dockets
13 which are contained in the number of notices that we have
14 issued.

15 Both the report and all of these teleconferences
16 are also being placed in the RM01-12 DOT hit on the
17 standard market design so the Commission can use this
18 report and the transcripts to make decisions on all of
19 these dockets.

20 So the report may be relevant to the Commission's
21 working paper which was issued last Friday on standard
22 market design and that is on the Web site. I am just
23 bringing that up to you. I am sure many of you were aware
24 of it.

1

MR. WHITMORE: This is Charlie Whitmore. There

1 also will be a public conference here at the Commission
2 next Monday between 10:00 and 3:00 and all of you are
3 invited to that along with the rest of the public and so
4 forth.

5 Further questions? We have allocated another
6 hour and a half to talk with you if that's useful. But if
7 we are done, okay.

8 Well, hearing no further comments, I want to
9 thank all of you for being here this morning and we see the
10 cost benefit analysis as the beginning of a discussion that
11 will take place between us and the states and among
12 regulators and the industry and the public going forward
13 and we hope very much that it will be a basis for further
14 discussions of what should be done and how it should be
15 done and so forth.

16 So we look forward to hearing from all of you as
17 this process goes forward. Just a reminder that the
18 comment date is the April 9. Reply comments by April 23.

19 We look forward to all of your thoughts then.

20 Thank you very much.

21 (Whereupon, at 10:40 a.m., the teleconference was
22 concluded.)

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